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PLANNING EXPERIENCE AND ECONOMIC DEVELOPMENT IN PORTUGAL

By Rui SANTOS MARTINS,
Central Planning Bureau

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PLANNING EXPERIENCE AND ECONOMIC DEVELOPMENT IN PORTUGAL

by Rui Santos Martins
Central Planning Bureau

I - Antecedents of the II Development Plan

1. Economic development plans began to be drawn up in Portugal practically since the elaboration of the I Development Plan which covered the period between 1st. January, 1953, and 31st. December, 1958.

Until then, the Government had carried out the so-called "partial administrative schemes", bearing systematically on each given sector of the economic activity of the State (particularly Public Works) so as to enable continuity of action spread over a period of many years with the guarantee of budget allocations of the necessary funds. Dont since those schemes were isolated, there was no co-ordination of objectives, such as would make them a true development plan on a national scale.

At that stage of the economic development of Portugal, which lasted until 1950, the norms which predominated were those of the Law of Economic Reconstruction of May 1935, which included the general plan for the remodelling of posts, telegraphs and telephones (1937), the development of irrigation plan (1938), the plan for the development of forestry (1938), the development of mining plan (1939), the plan of water-supply to the principal towns (1944), the plan for the development of ports and roads and for the renovation of the merchant fleet (1945).

2. When the Law of May 1935 expired in 1950, by which time the action of the public administration was put in order in various sectors, the Government found it convenient to aim at a better co-ordination of that action by co-relating the divers partial plans and including them in a general plan of a wider scope. Thus arose the I Development Plan in Portugal (1953-1958), attempting for the first time to systematize the utilisation of the resources of the European and Overseas territories and to study in a global and co-ordinated manner the most urgent application of those resources.

Recognizing the law level of the national income and, consequently, of the per capita income, the Plan considered certain key-points of the national economy with two fundamental objectives: raise the standard of living and provide new and better opportunities of employment, both in the European and in the Overseas territories.

The Plan, which was defined as a partial one limited to big investments to be made by the public and private sectors, was destined fundamen-

tally to set up and strengthen the infra-structures with emphasis on the following aspects: development of agriculture; production and distribution of energy; basic industries; transport and communications; technical schools.

As the available elements of information were limited, it was found undesirable to fix objectives in terms of values and quantities. Thus the I Development Plan, being partial in the sense of bearing on only a restricted sector of the economic activity of the Nation, was consciously and deliberately drawn up as a mere programme of investments.

Initially (Law 2.058, 29-12-1952) the investments totalled 7.702.000 thousands of escudos in the European territory and 4.500.000 for Overseas territories, raised by subsequent adjustments and alterations to 11.617.685 thousand esc. in the formed and 4.930.600 in the latter, corresponding in the first case to about 20% of the total groos investments under the whole Plan.

II - The II Development Plan

3. The I Development Plan, put into execution on 1st. January 1935, came to an end on 31st. December, 1958.

The new six-year Economic Development Plan — the II Development Plan (1959-1964) —which came immediately afterwards, was conceived and drawn up since mid-1955, the Government having adopted the following method of work:

First of all, the Economic Council (a restricted Council of Ministers whose function is to lay down the main objectives of economic policy) decided that the various Ministries should undertake a summary review of the necessities envisaged for the period of the Plan and of the means indicated to meet them. At the same time, the Presidency Ministry directed the National Institute of Statistics to carry ont a survey of the main veriants of general economics with reference to the period under planning: population, production, consumption and investments.

The survey of the National Institute of Statistics was brought to the knowledge of all Ministries and appreciated by the Centre of Economic Studies, which consists of a considerable number of persons of known competence in economic matters. A working group, under the chairmanship of the Presidency Minister, was set up to study, and co-relate the reports of the various Ministries.

Once the objectives of the Plan were presented by the Presidency Minister and approved by the Economic Council, work was continued on the financial possibilities, the lines of economic policy to be followed and the selection of projects to be included in the Plan.

In the last phase of planning, a Central Planning Bureau was established by Decree-Law nº. 41.383, of 22nd. November, 1957, attached to the Prime Minister's Secretariat and charged with the task of collecting data supplied by the Ministries with a view to elaborating future development plans. Later, under Decree-Law nº. 42.593, of 19th. October, 1959, the Inter-Ministerial Commission for Development Planning, attached to the Prime Minister's Office, was set up as an organ of study and co-ordination destined to ensure permanent administrative liaison between the Central Planning Bureau and the various Ministries and the bodies concerned in the public and private sectors. This Commission has sub-divided itself into working group which prepare the date to be supplied to the Planning Bureau for the elaboration of future plans.

4. As regards the European territory of Portugal, the II Development Plan aims at the following objectives: to accelerate the pace of increase of na-

tional income; to improve living standard; to help solve problems of employment; to improve the balance of payments.

These objectives constitue the guide lines of the policy of economic development to be undertaken in the course of the Plan. Which means that, although some of the ends or the means to attain them ought not or may not appear in the scheme of the Plan, this does not imply that the general economic policy of the Government does not include them and seek to achieve them or does not facilitate them by the adoption of adequate measures. Thus, the execution of the Plan is not limited the to fulfilment of a simply programme of isolated financing of the whole and corresponding to a part of the global investment but it seeks to be a co-ordinated effort of economic policy undertaken with the aim of attaining pre-determined objectives which are thought desirable.

The Plan shows the following numerical assessment of those objectives:

a) The gross national product at factor's cost will rise, during the six-year period of the Plan, at an annual tax of 4,2%, which means that the rise at the end of the period will be 27%;

b) Its per capita distribution will rise annually at the vate of 3,5% so that in the course of the Plan the rise will be 22%;

c) Private consumption and the corresponding per capita distribution will rise at the annual rate of 2,8% and 2,5%, respectively;

d) Employment will be maintained at 1950 level, which means that it will be necessary to create annually 20.000 new jobs;

e) The productivity of the active population will increase by 22,2% between 1958 and 1964;

f) The negative balance of external payments will fall from 3.480 million escudos in 1959 to 896 millions escudos in 1964.

5. The model used in the Plan for calculating the amount of investments was based on the well known wcrke on economic development of Harrod-Domar, which equates the rate of grouth with the level of savings and of the co-efficient of capital, that is the inverse of the productivity of capital.

In the face of various alternatives, the Government chose that in which, with the expected marginal co-efficient of capital — 4,5 —, the average annual rise in the gross national production at factor's cost of 4,2%, would result from an investment of the order 17,6% of the gross national production at market prices, that is, an average annual investment of 11.420 million escudos.

Given that the II Development Plan envisages an investment of 22 billion escudos for European Portugal alone and that, as already seen, the gross internal investment, in the period 1959-1964, is calculated at 68.5 billion escudos, it follows that the Plan includes aproximately 30% of this amount.

The Plan also includes investments of the order of 9 billion escudos to be made in the Overseas Provinces. In this connection, it must be said that, although drawn up to be executed simultaneonsly, it has not yet been possible to combine them nor even to organize the two plans — the Plan for European Portugal and the Plan for Overseas Portugal — in accordance with a uniform technique. Neverthedess, as they were prepared and drafted together, it has benn possible to co-ordinate the efforts and the resources so that, of the 27 billion escudos to be mobilized in European Portugal, 5 billion are earmarked for financing the Plan in the Overseas Provinces.

The department of investments planned by the various sectors aims at giving maximum importance to productive activities without, however,

forgetting that the infra-structure has necessarily to accompany the development of those sectors or else render the desired expansion difficult and even impossible.

As regards the sources of finance, the Plan counts on the allocations in the general budget of the State, autonomous funds, public institutions and local autarchies, instituitions of social providence, insurance enterprises, National Development Bank, savings banks, commercial banks and private bodies, self-financing (public and private) and, lastly, on external credit.

6. Over and above the general instruments of economic policy utilised by the State for the conduct of the national economic process, various specific measures are envisaged to attain the objectives of the Plan.

Thus, it is admited that the first objective — acceleration of the pace of increase of national income — will be achieved directly by the realization of new investments and the increase of productivity of the existing capital.

As regards the improvement of living standard, the second objective of the Plan, it was thought that, although it may be natural to expect that a rise in all incomes will result from a rise in production, it is not possible to trust exclusively in the automatic operation of the market for a distribution of the production, given the danger of injustice aggravating social inequalities and at the same time detrimental to economic expansion. For this reason, it was thought that, on the basis of a rise in national production, the State should take steps:

a) to improve, with a view to ensuring better social justice, the distribution of production together with an effective increase in the global purchasing power (for example, by means of the fiscal reform now nearing conclusion)

b) to improve the elementary comforts and make them available to an increasing by larger number of people with a view to securing sound family life, e.g. by enabling them to live in convenient dwellings with lighting arrangements and water-supply as well as prophylactic assistance, general and technical education.

c) to intensify action to educate the people to utilize their purchasing power on useful consumption, putting off superfluous or harmful consumption.

As to the Third objective of the Plan, namely helping solve employment problems, besides providing for the need of gaving preference to investments tending to create, mediately or immediately, permanent employments for a greater number of people — which makes it imperative to consider this aspect of the problem in the investment programmes and in the enterprises to be developed — it was thought that special attention should be paid to this problem in the re-organization of the existing activities. Moreover, this is one of the aims to be considered in the regional plans which are expected to be drawn up with a view to seeking a solution of the problems of super-population in certain parts of the country. On the other hand, this aspect of the problem has been the determining factor for resorting, in other regions, to certain fields of employment, like foresting and house-building, wherein the volume and the rhythm of investment may vary according to the standart of available labour,

Finally, as to improving the balance of payments, it is recognized that the effect of the Plan will make itself felt only after period of a time, at any rate, a longer period than that of the Plan itself.

The latter, aiming to improve the equipment of agriculture and to develop industries, will have initially to lead to a rise in the imports

of capital goods (machinery and tools) and only later will these purchases from abroad result in increased exports. It has even been recognized that a rise in the purchasing power of the population will lead to increased demand for foreign products. In order that such increase in imports may not have unfavourable repercussions on the balance of payments, it is thought indispensable to improve the credit side by means of an even flow of valuable exports and an increase offer of services. For this purpose, the State is taking steps to widen the export markets as well as the range of exportable products. Among these steps are survey of markets, propaganda of products, establishment of contacts between exporters and importers, acquainting export markets of new conditions of trade, intensification of exports on credit basis, technical and economic re-organization of industries so that the exporting concerns may acquire the size and productivity with the requirements of foreign demand; remodelling of the export development services.

III - Preparatory studies, now under way, for the III Development Plan

6. The II Development Plan, now under way, was drawn up, as already stated by and ad hoc working group, under the guidance of the Presidency Minister.

However, under the legislation now in force, the competence to draw up development plans is attributed, as also stated before, to the Central Planning Bureau attached, since its establishment in November 1957, to the Prime Minister's Secretariat.

For the elaboration, already initiated, of the III Development Plan which will cover a period of six years from 1965 to 1970, the Economic Council adopted, in March 1961, the following method:

In the first phase, the Central Planning Bureau should submit to the Council a Note stating which are the main objectives which, in its opinion, ought to underlie the new Plan and the fundamental principles of economic and social policy to be attained, having in view the essential present characteristics of Portuguese economy and its most urgent needs.

After obtaining approval of the Council, the Central Planning Bureau should proceid, in collaboration with the Inter-Ministeral Commission for Development Planning and such other public and private bodies as it may deem proper to consult, to draw up a Report on the "Global Development Programme for 1965-1970", to be submitted to the Economic Council for discussion and approval.

Meanwhile, the various ministries will go on preparing the projects which they desire to be included in the Plan and send details to the Central Planning Bureau in the measure in which they are completed.

Once the "Global Development Programme" is approved by the Economic Council, the Central Planning Bureau, in collaboration with the working groups of the Inter-Ministerial Commission, will proceed to select and co-ordinate the projects prepared by the various ministeries with a view to their inclusion in the Plan, keeping in mind their technical and economic feasibility and their adequateness to the objectives established in the "Global Development Programme" and to the principles of economic policy underlying it.

The provisional draft Plan which results from this work, will be reviewed by the plenary of the Inter-Ministerial Commission and then submitted to the Economic Council .

After being approved by the Council, the draft Plan will be sent by the Government to the Corporative Chamber and to the National Assembly for approval, together with proposals for legislation giving the necessary

powers to execute the Plan and the reforms which the execution may require.

8. So far, the Portuguese Plans have had a global and national character with special reference to the establishment of the necessary infra-structures. Therefore, there has practically not been planning by regions and sectors with sufficient autonomy. It is, however, intended to pay great attention to such planning in the new Development Plan.

In fact — with regard to programming by sectors — the establishment, on one hand, of the Industrial Research Institute (June, 1957), of the Planning Commission for New Centres for the Production of Electrical Energy (February, 1961), and of the Planning Office for Land Transport (August, 1961) and, on the other hand, the possibility of more complete statistical data being available, particularly as a result of the new population census, the recent Industrial Inquiry and the utilization of **ouput output table** for Inter-industrial Relations, these factors will certainly influence the future programme in the sense that it will be possible to go from global planning to planning by sectors so as to obtain a more perfect concentration appropriate to investment in the various fields of activity.

In respect of regional planning, there is at this moment a Government bill pending in the Corporative Chamber envisaging the establishment of a Regional Planning Board. This body will be specifically charged with the study of plans to develop local economies and integrate them in the global of for the expansion of national economy. It is thus sought to do away with the regional disparities by extending, as much as possible, to the whole territory an equilibrium among the various productive activities.

9. In addition to the aspects already referred to, one other point deserves to be considered when it is sought to assess the conditions in which the III Development Plan will be drawn up. It is the technical assistance, which will be effective in 1963, from the O.E.C.D., of which Portugal is a member.

The collaboration of the necessary specialists will add to the available know-how of the technique of programming, the working of planning institutions, the statistics necessary for programming, the policy of industrial development, regional development, and the technique of the participation of local populations in the development effort.

This will be another positive element on wich we base our hope that the III Development Plan will be a landmark not only in the utilization of modern techniques in economic planning but also in the purpose of solving with adequate knowledge the economic problems of the Nation.

IV - The execution of the development plans

10. The detailed yearly programmes of execution of the Plan are worked out by the Central Planning Bureau on the basis of the proposals and projects received from the public services and from enterprises through the Inter-Ministerial Commission for Development Planning and in close collaboration with the Finance Ministry.

Each service or body responsible for an enterprise included in the Plan submits yearly to the Central Planning Bureau detailed estimates of the funds required for the execution of the programme under its charge as well as of the various sources of finance envisaged.

It is also the duty of the Central Planning Bureau to accompany the execution of the Plan and, though without responsibilities of an administrative nature, to submit detailed reports to the Economic Council giving an account of the manner in which the Plan is being executed, explaining the causes of delay or occasional changes, if any, and making a general

assessment of the value of the work already done.

11. Given the conception obtaining in Portugal, of the scope of planning and of State intervention in the national economic life, the Portuguese plans are juridically binding only on the public sector, being mere programmes as far as the private sector is concerned.

Thus, as regards the current Plan and the programmes which are being carried out, execution in respect of the chapters on Agriculture, Forestry, Live Stock Farming and technical Education, is assured almost exclusively by the public services which are competent to deal with those mathers, namely the Secretariat of State for Agriculture, the Ministry of Economic Affairs, the Ministry of Public Works and the Ministry of National Education.

In the sectors of Fisheries, Industry and Electricity, the main responsibility falls on entreprises and on the corporative organization, though in some particulars, as for instance industrial organization, the public sector intervenes actively.

Finally, as regards communications and Transport, an important rôle is played by public bodies (ports, airports and the national telephonic network) and by concessionary entreprises (railways, air transport and mercantile marine).

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